

August 28, 2006

To whom it may concern:

Comments Sought on Changes to Organic Certification Fees

The WSDA Organic Food Program is proposing changes to chapter 16-157 WAC, Organic Standards and Certification. The program is proposing to establish new fees and increase several selected fees. The new fees and fee increases are needed to provide adequate funding for the WSDA Organic Food Program. The certification fees fund all activities conducted by the WSDA Organic Food Program.

The proposed fee changes include:

- Site fee – All applicants will be billed \$20 per site per year.
- Increase late fees from \$75 to \$150-\$1,000 depending on how late the application is received.
- Increase new application fees from \$100 to \$250.
- Increase the top end of the handler fee schedule.
- Establish an expedited inspection and evaluation fee at \$40/hour.

Your comments are important! Please review the proposal and direct comments or suggestions to our office by 5 p.m., September 15, 2006.

SEND COMMENTS TO MILES McEVOY AT:

Email: mmcevoy@agr.wa.gov

Mail: WSDA Organic Food Program, PO BOX 42560, Olympia WA 98504-2560

FAX: (360) 902-2087

Contact Jennifer Watson via telephone at (360) 902-1885 or email at jwatson@agr.wa.gov with any questions regarding the proposed amendments.

Comments on the proposed fee increases will be reviewed in September. A final proposal will be sent to all certified organic operations in late September. A public hearing will be held on October 25, 2006 to hear comments on the final proposal.

BACKGROUND INFORMATION

Organic agriculture is the fastest growing sector of U.S. agriculture, growing at a rate of 20% annually (USDA-ERS, 2003). Growth in Washington State's organic sector has mirrored growth in the rest of the country. Organic farm gate sales have increased from \$47 million in 2000 to \$78 million in 2004 and processed organic food sales have increased from \$25 million to \$61 million during the same time period.

The increase in value has been coupled with an increase in the work involved in providing organic certification services. Over the last few years, the WSDA Organic Food Program has struggled to keep up with the increased demand for organic certification. New inspectors and administrative staff have been hired and trained to handle the increased workload. The revenue received from organic certification fees has not kept pace with the increased expenses of providing certification services.

By statute, the WSDA Organic Food Program is required to recover the full cost of the program from organic certification fees. The program does not receive any general fund support and is required by statute to develop a fee schedule to pay for the cost of organic certification. In 2003, a 10% fee increase was implemented. The 2003 fee increase raised fees in all fee categories. The current proposal is designed to recover the cost of providing services in specific target areas of the program where the current fee structure is not providing adequate revenue. The current proposal does not increase the majority of certification fees.

Over the last year the program's expenses have exceeded the revenue received. At the January 2006 Organic Advisory Board meeting the board recommended that the program develop a fee increase proposal. The program developed a proposal that was approved by the board at their April 13 meeting in Yakima. The program developed new fees and modest fee increases to establish long term stable funding for the program. It is estimated that the new fees and fee increases will bring in approximately \$100,000 in additional revenue annually. The additional revenue will be used to ensure the integrity of organic food products through increased inspections and enforcement activities.

Proposed changes to WSDA Organic Certification Fee Schedule

1. Site Fee

Each site that is involved in organic production must be inspected on an annual basis. The more sites that an operation has the more time is required at the inspection and in reviewing the inspection report and system plan. We are proposing a \$20 annual site fee for each site that an organic producer has under organic management.

"Site" is defined as a contiguous field, orchard, block, pasture, paddock, garden, circle, plot or other designated area. All sites involved in organic production must be included as part of the Organic System Plan. Each site that is included in the Organic System Plan must pay an annual site fee of \$20.

The chart below describes the fees that will be added to each farm based on the number of sites on the farm:

Sites on Farm	# of Farms	% of Farms	Fee Increase	Revenue increase		
1	303	48%	\$20.00	\$6,060.00	Total Farms	619
2	127	20%	\$40.00	\$5,080.00	Total Sites	1685
3	80	13%	\$60.00	\$4,800.00	Average # of Sites per farm:	3 (2.85)
4	36	6%	\$80.00	\$2,880.00		
5	20	3%	\$100.00	\$2,000.00		
6	13	2%	\$120.00	\$1,560.00		
7	13	2%	\$140.00	\$1,820.00		
8	6	0.9%	\$160.00	\$960.00		

10	4	0.6%	\$200.00	\$800.00
12	3	0.5%	\$240.00	\$720.00
13	1	0.2%	\$260.00	\$260.00
14	2	0.3%	\$280.00	\$560.00
16	3	0.5%	\$320.00	\$960.00
18	3	0.5%	\$360.00	\$1,080.00
21	1	0.2%	\$420.00	\$420.00
31	1	0.2%	\$620.00	\$620.00
50	2	0.3%	\$1,000.00	\$2,000.00
56	1	0.2%	\$1,120.00	\$1,120.00
				\$33,700.00

2. Late fees

Once applications are received they need to be processed, copied and prepared for inspectors. Inspectors then receive the applications and schedule their inspections in order to be efficient with their time. Late applications can cause less efficient use of inspectors' travel time as they may need to make special trips to inspect a late applicant in an area they have already visited.

The proposed amendments increase late fees to cover the additional costs associated with the late renewal of an application. The later the application, the higher the late fee will be.

Application received	Late fee
Postmarked by Application deadline	\$0
Less than 1 month late	\$150
1-2 months late	\$300
2-3 months late	\$450
3-4 months late	\$600
4-5 months late	\$750
More than 5 months late	\$1,000

We hope that the higher late fees will increase the timeliness of receiving applications and improve the efficiency of the program. We estimate that the increased late fees will bring in an additional \$13,000 per year.

3. New applicant fees

The proposed amendments increase the new applicant fee from \$100 to \$250. There are a number of unique costs associated with evaluating new applicants for compliance with National Organic Standards. New database files, office files and field files must be created. The time involved in conducting inspections and reviewing inspection reports and system plans is more extensive for new applicants than for renewal applicants. The cost of providing certification to new applicants exceeds the current \$100 fee. The proposed increase to the new applicant fee more accurately reflects the cost of providing the service. We estimate that the increased new application fees will bring in an additional \$20,000 per year.

4. Change the cap on handler certification fees.

As the size and complexity of an organic operation increases there are more costs associated with providing organic certification services. The current fee schedule is structured to have larger operations pay higher fees to cover the cost of providing the service. In 2002, we established an \$11,000 cap on handler certification fees for sales over \$10,000,000. We established an \$11,000 cap on fees because we thought that the cost of providing certification to operations with sales over \$10,000,000 would not exceed \$11,000 per year. We are proposing to remove this \$11,000 cap because we have observed that as the sales of an organic operation increase the costs of providing organic certification services also increases. The proposal would establish 5 additional handler fee categories and establish a new maximum fee of \$20,000 for sales over \$20,000,000. We estimate that the new handler fee categories will bring in an additional \$20,000 per year.

5. Expedited Inspections

The program frequently receives requests to conduct expedited inspections. Expedited inspections cause increased costs from inefficient use of staff time, increased travel time and increased travel costs. We are proposing to establish a \$40 per hour fee for expedited inspections. Expedited inspections would be conducted only when adequate staff is available to conduct the inspections and when expedited inspections would not negatively affect the work of the program as a whole. Upon receipt of a request for an expedited inspection the program would evaluate our ability to conduct the expedited inspection. If the request is accepted, the inspection would be completed within two weeks of the request. Travel costs associated with expedited inspections would be paid by the applicant. We estimate that the expedited inspection fee will bring in \$10,000 in additional revenue.

Sincerely,

Miles McEvoy
Organic Program Manager
Department of Agriculture

Comments can be e-mailed to Miles McEvoy at mmcevoy@agr.wa.gov, mailed to WSDA Organic Food Program, PO BOX 42560, Olympia WA 98504-2560 or faxed to (360) 902-2087.